

SUPPORTING Officer Safety THROUGH Family Wellness

Financial Literacy

Studies have shown that people who are financially stable are more productive, use less sick leave, and have higher morale. Instead of anxiety over paying bills and covering debt, financially stable individuals are focused on doing a great job professionally.ⁱ

Below are some things to consider to ensure that you and your family are more financially stable.



Save, Save, Save:

Saving money can be a challenge, but having money for emergencies is crucial.

PAY YOURSELF FIRST:

1. Don't make saving an afterthought.
2. Have a portion of your paycheck directly deposited into your savings account.
3. Have three to six months of expenses saved in case of an emergency.ⁱⁱⁱ

SET GOALS:

Have a vacation coming up? Need a new car? Set financial savings goals. **Calculate how much you will need to save and when you will need the money.** This will help you calculate how much you will need to save each month to reach your goal.

START PLANNING NOW.

The sooner you start to save, the more you will have when you need it most.

Nearly
70%
of adults in
the US have
less than \$1,000
in savings.ⁱⁱ

PLAN FOR RETIREMENT:

- Whether you have a pension plan, a 401(k), or other retirement plan, **think about when you want to retire**, how much you will need to retire comfortably, and what expenses you will need to cover in retirement.
- **Talk to your human resources personnel** for more information about retirement planning.
- **Utilize online pension calculators** such as the [National Conference of State Legislatures](#). These show specifics on what age you can retire, how many years of service are required before retirement, and other nuances of your state's pension plan.
- **Consider other forms of savings for retirement.** There was a reported \$968 billion gap between what the United States' state-run retirement systems promised to pay workers and what funds were actually available.^{iv}



Open an IRA account which allows you to save with tax-free growth.^v



Budget Basics:

Creating a budget is essential. Try using free online budgeting tools to create a realistic budget for you and/or your family. Include regular fixed expenses as well as credit card payments, savings, and other necessities.

- When creating your budget, **prioritize your expenses into categories** such as:
 - **Fixed** expenses such as rent or mortgage.
 - **Flexible** expenses such as utilities and groceries.
 - **Savings.**
 - **Extras** like vacations, date nights, and movies with the kids.
- **Overspending on a budget can be easy** to do in a culture where credit is the accepted norm. Even if you live some place where credit isn't as widely used, being conscious of your cash flow is central to maintaining a healthy budget.
 - **Track every purchase** for a month to see exactly how much you spend per week. You might be surprised how much you spend on coffee or eating out.
- **Include the kids.** Teaching children about budgeting and money prepares them for life.
 - **Consider using an allowance** as a teaching tool to explain the basics of budgeting and saving.
 - **Make it fun!** Have kids brainstorm about where to donate money, what to spend their money on, and how to save it. Display a picture of their goal somewhere they can easily be reminded of it.
 - **As kids get older, include them in family budgeting**, teach them about being a smart consumer, various savings options, and explaining the differences between checks, debit cards, and credit cards.

ⁱ Stephen Miller, "Employees' Financial Issues Affect Their Job Performance," Benefits, SHRM Online, April 29, 2016, <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employees-financial-issues-affect-their-job-performance.aspx>

ⁱⁱ <https://www.gobankingrates.com/saving-money/data-americans-savings>. Updated August 2016

ⁱⁱⁱ <https://investorvanguard.com/emergency-fund>

^{iv} Trusts, Pew Charitable. "The State Pensions Funding Gap: Challenges Persist." *A brief from the Pew Charitable Trusts: Washington, DC* (2015).

^v <https://www.fidelity.com/building-savings/learn-about-iras/what-is-an-ira>. Updated 2017.



Credit Consciousness:

Know your credit score, and your partner's credit score. While your credit scores remain separate, except for joint accounts, it is helpful to know how your family's spending habits may influence a credit score.

CHECK YOUR CREDIT SCORE AT LEAST ONCE A YEAR.

There are several **free online credit reporting agencies** that monitor your credit.

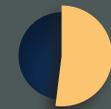
Credit scores range from **300 to 900**^{vi}



The average score in the United States is **700**^{vii}



Only **38%** of people know their credit score off the top of their head.^{viii}



52% of adults haven't checked their credit score in the past year.^{ix}

SCORES ARE CALCULATED USING SEVERAL VARIABLES TO DETERMINE YOUR CREDIT RISK.

Each piece of a credit score carries a weight and influences the overall score.^x

10%

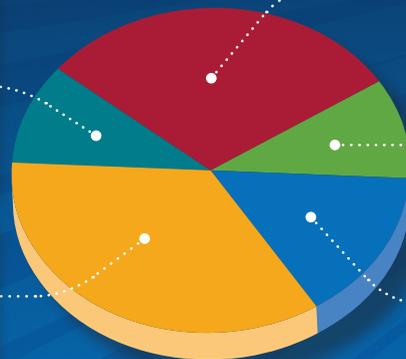
CREDIT MIX:

your mix of credit cards, retail accounts, and loans influence your credit score.

35%

PAYMENT HISTORY:

your history in paying past credit card accounts.



30% AMOUNTS OWED:

having credit accounts and owing money does not necessarily classify you as a high-risk borrower, but less debt is better.

10% NEW CREDIT:

opening several new credit accounts in a short period of time may represent a greater risk.

15% LENGTH OF CREDIT HISTORY:

length of credit history, and how long since you last used a credit account.

^{vi} <https://www.myfico.com/credit-education/credit-report-credit-score-articles>

^{vii} <http://www.fico.com/en/blogs/risk-compliance/us-average-fico-score-hits-700-a-milestone-for-consumers>. Released July 10, 2017.

^{viii} Capital One <https://www.capitalone.com/credit-cards/blog/credit-infographic>

^{ix} The National Foundation for Credit Counseling (NFCC) 2015. https://www.nfcc.org/wp-content/uploads/2015/04/NFCC_2015_Financial_Literacy_Survey_FINAL.pdf

^x <https://www.myfico.com/credit-education/whats-in-your-credit-score>

^{xi} CNN Money, 2013. <http://money.cnn.com/2013/06/24/pf/emergency-savings/index.html>

^{xii} American Household Credit Card Debt Statistics: Q2 2017

^{xiii} American Household Credit Card Debt Statistics: Q2 2017

^{xiv} <https://www.debt.org/students>. Updated 2017.

^{xv} <https://www.debt.org/students>. Updated 2017.



Debt Discipline:

Nearly all adults in the U.S. — **EIGHT IN 10** — have debt.



76% of people in the United States live paycheck to paycheck.^{xi}



The average household in the United States owes more than **\$135,000** in total debt, including mortgage, auto loan, credit card, and student debt.^{xii}

Total debt owed by U.S. Consumers is **12.84 TRILLION DOLLARS**^{xiii}



The average student debt in 2017: **\$37,172**^{xiv}



\$2,858 of student debt is accrued *each second* in the United States.^{xv}

Not all debt is bad.

Not many can buy a house or car without taking on some debt. These debts can be an investment into the future of your family. **However, it is vital to evaluate the amount of debt your family is capable of taking on.** How much can you put down towards the principal payment? How long will it take you to pay off this debt?

- Compound interest can result in additional hundreds, if not thousands of dollars, owed. **Pay off the debt with the highest interest rate first** to avoid paying more than necessary.
- **Pay more than the minimum** payment if you can.
- **Consider putting overtime pay or a portion of a raise toward paying off your debt.**
- **Set payment goals** and celebrate when you reach a milestone.
- **Evaluate the benefits** of consolidating like debts. You may be able to get a lower interest by consolidating all your credit card debts or student loans.

This publication is one in a series. For more family support resources please visit: www.theiacp.org/ICPRlawenforcementfamily

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